



Welcome to our Forty-Seventh Edition of Pay-Net's E-Newsletter. Previous editions of our E-Newsletter are available on our web site, www.pay-net.net, under the "Employer Resources – Newsletter" section. We want to welcome all of our new clients that started processing with us this month. Our E-Newsletter is published about 6 to 10 times per year. If any other people in your organization would like a copy of our E-Newsletter, please send a request by email to: operations@pay-net.net.

Please Keep Your E-Mail Addresses Current When you have personnel changes, remember to send us any e-mail address changes. You can send these to operations@pay-net.net. By doing this, our list will remain current. When we sent out the last E-Newsletter, we got over 100 bounce-backs because the email addresses were no longer valid.

Pay-Net E-Mail Addresses: If you need to communicate with us, we recommend that you send us an email. This practice will provide you, and us, a hard copy of the communication. Here are Pay-Net's current email accounts.

- Wayne Lee (Owner): wayne@pay-net.net
- Hollis (General Manager): hlee@pay-net.net
- Gloria (Operations Mgr): gbal@pay-net.net
- Becky (Operations): rbaker@pay-net.net
- Anna (Tax Manager): atudor@pay-net.net
- Ivan (Technical): idiiaz@pay-net.net
- General Communication: operations@pay-net.net (this will be forwarded to the appropriate person)
- Debbie (Sales): dwillett@pay-net.net
- Don (Sales): denck@pay-net.net

Of course, if you need to talk with us immediately, we do answer the phones with *live* people, not voice mail. If you happen to get into our voice mail system, be assured that all of us are on the phone when you called.

Pay-Net's web site: If you have the opportunity, please visit our web site at www.pay-net.net and let us know what you think about it. Send your responses to operations@pay-net.net.

"Challenging" Payroll Dates: Please take notice of the following dates as you prepare your payroll information.

- ▶ **Wednesday, November 11th is Veteran's Day. It falls in the middle of the week and it is a national banking holiday. Pay-Net will be open on that day. Please take this date into account as you prepare your payroll information, especially if you have direct deposit. We will probably need your payroll information a day earlier!**
- ▶ November 15th falls on a Sunday. If you normally date your checks for the 15th, your check date will roll back to Friday, November 13th. If this is your case, and you have direct

deposit, we will need your payroll information before 3:00pm on Tuesday, November 10th! Remember that Wednesday is a holiday!

▶ **Thursday, November 26th is Thanksgiving Day, a national holiday and a banking holiday. Pay-Net will be closed on that day.**

▶ Friday, November 27th, the day after Thanksgiving, Pay-Net will be closed! However, this is not a banking holiday so you can still date your checks for the 27th.

▶ With the Thanksgiving season fast approaching, please look at your check dates around this time period. Our last processing day before the long weekend is Wednesday, November 25th. Please be sure to allow enough time to process and deliver your payroll during this time.

▶ Monday, November 30th is the end of the month. If you normally date your checks on the last day of a month and you have direct deposit, we will need your payroll information before 3:00pm on Wednesday, November 25th.

▶ December 1st falls on a Tuesday. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information before 3:00pm on Wednesday, November 25th.

▶ December 5th is on a Saturday. If you normally date your checks for the 5th and you have direct deposit, your check date will roll back to the 4th and we will need your payroll information by 3:00pm on Wednesday, December 2nd.

▶ December 15th is on a Tuesday. If you normally date your checks for the 15th and you have direct deposit, we will need your payroll information by 3:00pm on Friday, December 11th.

▶ December 20th is on a Sunday. If you normally date your checks for the 20th and you have direct deposit, your check date will roll back to Friday, the 18th, and we will need your payroll information before 3:00pm on Wednesday, December 16th.

▶ **Christmas Processing Schedule:**

(1) **Thursday, December 24th, Pay-Net will be closing at 12:00 noon.**

(2) **Friday, December 25th, is Christmas Day, a banking holiday, and Pay-Net will be closed.**

▶ **The last day to enter payroll information that needs to be on the 2009 W-2 Forms is Wednesday, December 30th. This includes any final manual checks, adjustment runs, etc. If you are a remote, or ePayentry client, and you need to process a final run on the 30th, please call our office so we can adjust your calendar.**

▶ **New Years Processing Schedule:**

(1) **Thursday, December 31st, Pay-Net will be closing at 2:00 pm.**

(2) **Friday, January 1st, is New Years Day, a banking holiday and Pay-Net will be closed.**

▶ January 5, 2010, falls on a Tuesday. If you normally date your checks on the 5th and you have direct deposit, we will need your payroll information BEFORE NOON on Thursday, December 31st!

▶ **Monday, January 18th is Martin Luther King Day, a banking holiday. Please take this date into consideration when preparing your payroll information.**

▶ January 20th falls on a Wednesday. Due to the Martin Luther King holiday, if you normally date your checks for the 20th and you have direct deposit, we will need your payroll information before 3:00pm on Friday, January 15th.

▶ January 31st falls on a Sunday. If you normally date your checks for the last day of the month, your check date will roll back to Friday, the 29th. If this affects you, and you have direct deposit, we will need your payroll information before 3:00pm on Wednesday, January 27th.

▶ February 1st falls on Monday. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information before 3:00pm on Thursday, January 28th.

Year End Is Coming!!: Yikes, it's hard to believe that year-end is quickly approaching! With the holiday season fast approaching, we will quickly move right through Christmas. Before you know it, it's Year End time!

Before things get too hectic, we suggest that you examine your payroll dates for the rest of the year. Look for conflicts with holidays, remembering that for direct deposit, you need to transmit your payroll information to us three days prior to check date.

Also, there are any year-end payroll issues that you can start preparing for. You can start now planning for such things as PUC's (Personal Use of Company Car), or other fringe-type benefits that need to be reported on the W-2 Form.

Also, be alert for the annual **IRS Depository Notices** that are mailed out in November to companies that change depository frequency. The states will start sending out **SUI Rate Change Notices** in November or December. Both of these notices need to be sent or faxed to Pay-Net. **Please note that Pay-Net does not receive a copy of your Depository Change Notice. Therefore, we cannot be held responsible for any IRS or EDD penalties that can result from a change in your depository frequency.**

The cutoff day for entering 2009 payroll adjustments is Wednesday, December 30th. We will begin processing Year End on December 31, 2009. If you are aware of any issues that may cause a re-processing of year-end, please let us know so we can delay your processing and you can avoid any reprocessing fees.

Regarding our EVS Service: We will be sending out letters to companies that had employee problems with Social Security name checks. Please try to have all changes reported to Pay-Net before December 30th. However, if you are a remote entry client, or you are on ePayentry, you need to make these changes in the system before December 30th.

Regarding Employee Copies of W2 Forms: If there are any "reporting type" problems on the Employee Copy of the W2, such as name misspelling, wrong Social Security Number, etc., please be advised that the IRS will accept "white out" on Employee Copies. This will save you time and money having to have an employee copy rerun. But, any changes must be entered into the system so they will be reflected on the Filing Copies of W2 forms which Pay-Net will file on, or before, February 15th. If an employee loses their W2 form, you can simply make a copy from the employer copy and give the employee the copy.

We anticipate being through with Year End by January 21, 2010. If you have not received your Year End package by that date, please call us.

2009/2010 Holiday Schedule: The following remaining holidays are scheduled for 2009, and we have included the holiday schedule for 2010. The official “bank holidays” are marked with an “*”

- ▶ * Wednesday, November 11, 2009 – Veteran’s Day – Pay-Net will be open
- ▶ * Thursday, November 26, 2009 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 27, 2009 – Day After Thanksgiving – Pay-Net will be closed
- ▶ * Friday, December 25, 2009 – Christmas Day – Pay-Net will be closed
- ▶ * Friday, January 1, 2010 – New Year’s Day – Pay-Net will be closed
- ▶ * Monday, January 18, 2010 – Martin Luther King Day – Pay-Net will be open
- ▶ * Monday, February 15, 2010 – President’s Day – Pay-Net will be open
- ▶ * Monday, May 31, 2010 – Memorial Day – Pay-Net will be closed
- ▶ * Sunday, July 4, 2010 – Independence Day – we are unsure if Monday will be a holiday
- ▶ * Monday, September 6, 2010 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 11, 2010 – Columbus Day – Pay-Net will be open
- ▶ * Thursday, November 11, 2010 – Veteran’s Day – Pay-Net will be open
- ▶ * Thursday, November 25, 2010 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 26, 2010 – Day After Thanksgiving – Pay-Net will be closed
- ▶ * Saturday, December 25, 2010 – Christmas
- ▶ * Saturday, January 1, 2011 – New Years Day

More on “Forced” Retirement Plans for Employees: Washington is now considering forcing employees to participate in a Retirement-Type program, Simple IRA or 401(k), including the “roll-over” of unused vacation into a plan. Here is the article:

The Obama administration has issued guidance to the Treasury Department and Internal Revenue Service to promote workplace retirement savings. The rulings and notices clarify steps that employers can take now to expand automatic enrollment in tax-deferred retirement savings plans and contribute unused leave to 401(k) savings accounts.

By amending 401(k) and similar retirement plans, the administration expects that many more small and medium-size businesses will offer automatic enrollment.

Among the guidance and notices is one describing how employers can permit workers to convert the value of their unused leave into additional contributions to tax-qualified 401(k), profit-sharing, or stock bonus plans (Rev. Rulings 2009-31 and 2009-32). Another (Revenue Ruling 2009-30) streamlines the process that would enable employers and workers to gradually and automatically increase contributions to 401(k) plans.

None of the initiatives described in the rulings and notices require any statutory changes, senior administration officials said.

Further information can be found at the IRS website at this link:

<http://www.irs.gov/retirement/article/0,,id=212061,00.html?portlet=6>

Information on Federal Tax Deposits and a New Form:

Internal Revenue Service officials said Sept. 3 that financial institutions increasingly have stopped accepting paper federal tax deposit coupons.

Annette Dean, a tax analyst in wage and investment, said there is no requirement for banks to accept tax remittances via the coupon. It costs banks from \$2 to \$5 to process each coupon, said Dean, who spoke at a scheduled monthly teleconference with payroll industry representatives. The Treasury Department is working with the financial industry to help educate businesses about electronic deposit options.

Separately, a new Schedule M will be added to the 2009 Form 1040, said IRS's John Myett, national account manager for employment tax administration. The schedule will be used by individuals to report information related to the Making Work Pay credit, enacted as part of the American Recovery and Reinvestment Act (Pub. L. No. 111-5) that was signed into law in February.

Effective November 1, 2009, California Personal Tax (PIT) Withholding Schedules Changes:

As a result of the passage of Assembly Bill x4_17, the California Withholding Schedules for 2009 have been replaced effective November 1, 2009, to accelerate withholding – and that's political "speak" for "it's going to cost you more money, just in time for the holidays!"

The modified schedules are available at this url (clickable link):

http://www.edd.cahwnet.gov/Payroll_Taxes/Rates_and_Withholding.htm

In addition, the rates for supplemental wages have increased; the rates are 6.6% for supplemental wages and 10.23% for stock options and bonus payments paid on or after November 1, 2009.

NOTE: These schedules are only effective November 1 through December 31, 2009, the schedules released for January 1 through October 31, 2009, will also remain available online.

Assault on FSA's and HSA's:

As many of our clients are aware, there are some definite benefits to using Flexible Spending Accounts (FSA's) and Health Savings Accounts (HSA's) when offering fringe benefits to employees. However, these plans are coming under attack.

An \$8 billion revenue-raising provision in the House Democrats' health care bill (HR 3200) would limit the use of pre-tax HSA's and pre-tax FSA's. This has given rise to a lobbying campaign to preserve these benefits, or, at least, to minimize the impact of the proposed changes.

The provision approved by the Ways and Means Committee would exclude over-the-counter medicines from eligibility for reimbursement.

Meanwhile, the Senate Finance Committee issued an "options paper" of potential offsets to the \$1 trillion overhaul of the health care industry. In the paper, the Senate included eliminating or limiting the amount of salary reduction contributions to HSA's and FSA's.

The director of the Employers Council on Flexible Compensation estimates that at least 35 million participants would be affected by the proposed changes.

DHS Rescinds W-2 'No-Match' Regulation: The Department of Homeland Security is rescinding its W-2 “no-match” regulation targeting employers with undocumented workers, according to a final rule published in the Oct. 7 Federal Register (74 Fed. Reg. 51447). Under the no-match rule, the Social Security Administration would have been required to include with no-match letters information telling employers that they would be required to resolve discrepancies or face liability. DHS has decided to focus its enforcement efforts relating to undocumented aliens on increased compliance.

Potential Problems with New Federal Income Tax Withholding: As you are aware, the income tax withholding tables were changed in March to reflect the new rules under the Stimulus Bill. However, now the IRS has released this announcement:

Employees with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may experience a shortage of federal withholding and they can submit a revised W-4 that tells the employer how much money to withhold each paycheck. To recalculate withholding, filers should use Worksheet 12 in the updated Publication 919.

Publication 919 can be found on the IRS web site, or it can be downloaded from Pay-Net’s web site at: <http://www.pay-net.net/docs/p919.pdf> (clickable link).

Arizona Withholding Rates: We have received several inquiries from clients regarding the rate changes for Arizona Withholding. For many years, the State of Arizona has based employee income tax withholdings as a percentage of Federal Withholding. On May 1, 2009, Arizona changed their rates. And, in fact, the state changed the future rates. The following chart shows the former, current and future rates:

Arizona Withholding Rates

| Up to April 30, 2009 | May 1, 2009 to December 31, 2009 | Jan 1, 2010 to June 30, 2010 |
|---|-------------------------------------|---------------------------------|
| 10.0% | 11.5% | 10.7% |
| 19.0% | 21.9% | 20.3% |
| 23.0% | 26.5% | 24.5% |
| 25.0% | 28.8% | 26.7% |
| 31.0% | 35.7% | 33.1% |
| 37.0% | 42.6% | 39.5% |
| Minimum Percentage for Employees Earning Over \$15,000 Per Year | | |
| 19.0% | 21.9% | 20.3% |

By using an AZ-4 Form (similar to the Federal W-4 Form), an employee would indicate to their employer the percentage rate to use for their withholding.

Note: Effective July 1, 2010, the *State of Arizona will stop using the percentage method* and they will adopt a “table system” similar to the table system used by California. As of this date, the state has not released any information on this new calculation method.

Pay-Net's ConfirmFTD Service: We want to remind our clients of our ConfirmFTD service, which allows our Electronic Tax Filing clients to check their Federal tax deposits on the EFTPS Department's web site (a division of the IRS).

To describe the service in a nutshell: For a very minimal one-time fee, Pay-Net will enroll you with the EFTPS unit of the IRS. You will receive a PIN directly from the EFTPS, which will allow you to register and login directly to the EFTPS web site. There, on their web site, you can confirm the date and amount of all Federal 941 and 940 deposits made on your behalf by Pay-Net for the last 16 months.

Exciting New Software Features Are Here: Did you know that our software could now handle complete Human Resource requirements including Applicant Tracking? Did you know by summer, we will have an "Employee Kiosk" feature with complete Employee Self Service? These are exciting times for us as our software evolves into a complete Payroll and Human Resource package that can handle the complex requirements of both functions.

To read more about our some of the new features in the software, click on the following link and you will be taken to a document on our web site:

<http://www.pay-net.net/docs/newsoftware.pdf>

And yes, if you are reading this ENewsletter on your computer, all of these links and email addresses are "clickable".

If you would like to have these new features in your company, you will need to become a full remote client of Pay-Net. Call our office for details.

Additional Services Offered by Pay-Net: Sometimes clients can forget the vast range of services that Pay-Net can offer your company. For example, did you know that we offer four different types of tax services? Or, did you know you could import your payroll information from an Excel® spreadsheet? Since businesses are constantly changing, your payroll and human resource requirements can also change. We encourage you to examine the vast number of services that we offer, from Human Resource tracking to Employee Self Service. To find out about our expanse of services visit our web site, www.pay-net.net, and click on "Pay-Net Solutions".



Note from Wayne

Wow, it's hard for me to believe that we are fast approaching Year End! In about 2 months, our office will transform into a sea of paper. We anticipate running about 25,000 W2's and another 2,000 1099's through here. Quite a time for us. As of right now, the Health Care bill is fast approaching a vote in Congress. We will continue to monitor the bill and keep you informed of any changes that affect payroll, which could be numerous. So, in closing, the staff at Pay-Net wishes you a great "Turkey" day and we hope you enjoy time with family and friends.

A handwritten signature in black ink, appearing to read "Wayne". The signature is stylized and cursive.